

FY 2003

TAX EXEMPT BONDS

WORKPLAN

Planning Guidelines

October 1, 2002

FY 2003 **TEB WORK PLAN** **PLANNING GUIDELINES**

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FY 2003 TEB WORK PLAN PLANNING GUIDELINES

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FY 2003

TEB PLANNING GUIDELINES

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Executive Summary

Tax Exempt Bonds

FY 2003 Implementing Guidelines

The Implementing Guidelines direct how Tax Exempt Bonds (TEB) will apply its staffing to the Outreach, Planning, and Review (OPR) and Field Operations (FO) programs. The guidelines describe the work of the Director, TEB, the staff of OPR and the staff of FO, and direct the priorities of those functions to specific goals and priorities for this fiscal year. The program priorities of these two areas are listed below.

Outreach, Planning and Review:

- Enhance nationwide education and outreach programs for TEB customers and stakeholders;
- Identify and develop educational materials for TEB customers and stakeholders;
- Plan, develop and prepare the annual TEB Program and Work Plans and monitor the accomplishment of goals and objectives;
- Work TEB's voluntary closing agreement submissions (TEB VCAP), and expand and improve TEB VCAP, as appropriate;
- Plan, develop and prepare the annual Continuing Professional Education training materials and coordinate and deliver FY 2003 CPE training program;
- Review and revise the TEB returns and instructions as required by changes in law or as necessary to streamline processes;
- Revise and develop TEB training materials, as appropriate;
- Further expand the TEB Website to meet needs of customers and stakeholders;
- Expand and revise current operational guidelines, delegation orders and other internal procedures and policies to reflect changes in the TEB program;
- Identify and implement special projects and compliance programs; and
- Coordinate the development of quality measurement standards and conduct sample and mandatory reviews of cases.

Field Operations:

- Timely conduct existing compliance project initiatives;
- Identify and apply resources to emerging issues;
- Expand tax promoter penalty (IRC section 6700) examinations, as appropriate, to applicable issuers, bond counsel, conduit borrowers, underwriters, etc;
- Implement new compliance project initiatives;
- Assist in the delivery of outreach programs with internal and external TEB customers;
- Assist in the delivery of TEB training programs;
- Assist in the development of quality measurement standards for examinations; and
- Consider IRC section 6700 and section 150(b) applications where useful in obtaining equitable settlements avoiding taxation of bondholders.

ATTACHMENT I

TEB Planning Process

INTEGRATION OF BUDGET PLANNING WITH WORK PLANNING

The IRS strategic and planning process is designed to integrate resource allocation with strategic and program planning to determine the effective use of those resources. The office of Tax Exempt Bonds is responsible for developing the related segments for the following components:

- a) Strategic Plan – The Strategic Plan identifies specific trends, issues and problems (TIPs), and details the strategies that will be applied to address them. The Plan summarizes the operating priorities and improvement projects for each approved TIP.
- b) Program Plan – A Program Plan is prepared by each Operating Division and functional unit. The Plan contains specific information about the scope and resource allocations proposed for the programs that support the major strategies, operational priorities, and improvement projects in each area.
- c) Work Plan – The Work Plan is a fiscal year plan of how resources will be applied to programs that support the major strategies and operational priorities of the Operating Division and functional unit. The plan identifies planned staff days/FTEs by budgetary categories (i.e., budget activity codes (BACs) and program activities codes (PACs)). The Plan also identifies planned return examination closures, customer education and outreach activities, and compliance research activities.

These three plans are linked through a structural planning and budget layout of the following codes.

- **Budget Accounting Codes (BAC)** (Pre-filing Services and Compliance Services)
 - **Program Accounting Codes (PAC)** (subcategories within each BAC)
 - **Activity Codes (AC)** (Technical Time and AIMS activity codes)
 - **Project Codes (PC)** (Technical Time and AIMS project codes)

OPERATING PRIORITIES

The Operating Priorities included in the FY 2003 TE/GE Strategic Plan that were included in both the GE Program Plan and the TEB Program Plan and used in formulating the TEB FY 2003 Work Plan are:

- Developing and maintaining a highly qualified workforce;
- Providing a quality work environment for TEB employees;
- Expanding partnerships with customer and stakeholder groups to better address growing customer demand for information and services;
- Collecting data from Customer Satisfaction Surveys and Focus Groups to identify areas for improving service;

- Refining and implementing strategic level measures to evaluate the success of the office of TEB in contributing to the achievement of the TE/GE Vision;
- Implementing improvements based on employee satisfaction surveys;
- Finalizing and implementing quality review standards for TEB examinations;
- Stratifying the TEB customer base and identifying compliance trends;
- Refining case control and management procedures; and
- Working towards imaging TEB returns.

MANAGEMENT INFORMATION REPORTS (MIRs)

The time expended by TEB technical and managerial employees is accounted for through the ETS time reporting system. Monitoring will be accomplished utilizing the various tables from the ETS system.

Monthly AIMS reports, extracts from the TEB Outreach Reporting System, the TEB OPR Inventory Spreadsheets, and quarterly reports from OPR and FO will be used to monitor activities and accomplishments.

PERFORMANCE MEASURES

The tools to measure the use of resources allocated to TEB for FY 2003 are the following Balanced Business/Performance Measures listed by PAC:

Taxpayer Communication and Education

Performance Measures

Business Results measures are:

Quantity

Time Applied to TEB Education and Outreach

Number of Outreach Events

Customers Reached (Direct)

Customers Reached (Indirect)

VCAP Cases Closed

Customer Satisfaction data is being gathered

Employee Satisfaction measure is available through Survey 2002

Tax Reporting Compliance-Field Examinations

Performance Measures:

Business Results measures are:

Quantity

Time Applied to TEB Examinations

Examinations Closed

Quality

Examination Timeliness (Cycle Time)

TEB quality standards (under development)

Employee Satisfaction measure is available through Survey 2002

RISK ASSESSMENT

Risk assessment analysis was performed during FY 2001 and FY 2002. The analysis supported TEB's continuing efforts toward completion of existing project initiatives and development and implementation of additional project initiatives. The assessment process

also prioritized potential areas of non-compliance. Future examination activities will be based on this analysis as well as staffing, available guidance and other relevant factors. For FY 2003, field personnel will be applied in such a manner as to ensure timely completion of existing projects and prompt action on emerging issues. In addition, TEB may initiate one or more new compliance initiatives after taking into account TEB's increasing activities relating to section 6700 penalties.

ATTACHMENT II

Prefiling Taxpayer Assistance and Education

Taxpayer Communication and Education

TEB Communication, Education & Outreach (CE & O) Planning Guidelines

OVERVIEW

Outreach, Planning & Review (OPR) will focus on providing the participants in the municipal bond industry with quality service to assist in understanding their tax responsibilities by developing a tailored education program focused on bond industry segments, monitoring non-compliance trends to design proactive education and outreach products for use by TEB customers, and designing and implementing compliance programs and projects that foster voluntary resolution of infractions of the tax rules related to bonds.

The TEB OPR staff is responsible for:

- Developing and monitoring annual workplans for both the education and outreach program and the compliance program,
- Enhancing education and outreach programs with external stakeholders,
- Coordinating with FO availability of speakers and the delivery of presentations as panel members or participants in external stakeholder meetings, workshops, seminars, training sessions, etc.,
- Continuing to develop and issue specialized educational materials and publications to reduce burden on the various bond market segments, especially small issuers, using TEB external partnerships to electronically disseminate informational materials to members of the bond community,
- Expanding the TEB Internet and Intranet sites and otherwise leveraging technology to meet customer and FO needs,
- Conducting and implementing recommendations from Focus Groups of TEB stakeholder segments,
- Working VCAP submissions,
- Designing and implementing other voluntary compliance programs and revising VCAP as necessary,
- Identifying and implementing special projects and compliance programs,
- Implementing and evaluating project initiatives to determine compliance levels and to identify emerging trends and issues,
- Delivering training to TE/GE Customer Account Service (CAS) personnel for their use in answering TEB inquiries,
- Coordinating with Customer Account Services (CAS) return filings, taxpayer inquiries, revisions to Form 8038 series returns, and the anticipated increase in FY 2003 - 2007 return filings due to the IRC Section 146 changes,
- Developing, issuing and delivering guidance to both internal and external customers,
- Coordinating with the Tax Exempt Bond Branch of Chief Counsel on administrative and technical matters which involve published guidance or technical support, and
- Coordinating legislative proposals with internal and external offices and agencies, including the annual "Legislative Proposals" submission by IRS.

TEB, FO Staff is responsible for:

- Assisting in the delivery of outreach programs by participation in seminars/meetings and partnering with outside stakeholders,
- Encouraging use of VCAP by issuers and conduit borrowers to protect innocent bondholders,
- Assisting in the development of the TEB annual workplan,
- Assisting in development of TEB voluntary compliance programs and modifications to VCAP, and
- Assisting in the delivery of training to CAS personnel in Ohio and Ogden to aid in the identification and development of responses to taxpayer inquiries.

Each TEB office should plan to fully support opportunities for education and outreach to customers in the various bond industry segments with a focus on assistance to smaller or infrequent issuers. Managers and their employees should participate in workshops, seminars, and meetings sponsored by bond industry groups and associations to effectively leverage limited TEB resources in educating customers about their filing requirements and operational responsibilities to ensure exemption throughout the life cycle of a bond issuance.

In FY 2003, OPR will evaluate the information accumulated through the TEB Outreach Reporting System and develop communications, education and outreach program enhancements. Continuing to publicize TEB VCAP to the bond industry is a major CE & O priority in FY 2003. TEB's compliance activities relating to CE & O include contacts with customers other than during examinations. **Communications** involves contact through telephone and correspondence inquiries from the public, Congress and other stakeholder groups. **Education** involves contact with customers through IRS participation at conferences/seminars/ workshops and the delivery of speeches either individually or as part of a panel. **Outreach** involves contact with customers through newsletters, publications, websites and partnerships with customers and bond industry associations.

I. EDUCATION

CE & O initiatives to provide education to customers will be identified through contacts with bond issuers and/or bond industry associations as part of a proactive education effort. These initiatives will yield customer educational events (such as conferences/workshops and speeches/panels). To fully support the identified customer educational events, all TEB technical employees are expected to deliver effective presentations at outreach activities and to represent TEB within their local customer community.

Conferences/Seminars/Workshops

Relates to conferences, seminars and workshops that are either sponsored or co-sponsored by IRS. Planning/ coordination includes all activities that occur before the actual conference, seminar or workshop (Activity Code 126, Project Code 750). Delivery/Attendance includes the activities necessary to travel to/from and to attend the actual conference, seminar or workshop (Activity Code 126, Project Code 751).

Speeches/Panels

Relates to employees attending non-IRS sponsored or co-sponsored conferences, seminars or workshops (i.e., external meetings), and either:

- delivering a speech or presentation individually or as part of panel group, or
- supporting the speech, panel presentation, conference, or workshop by networking at the event and/or assisting the IRS employee(s) delivering the speech or presentation.

Planning/coordination includes all activities that occur before the actual speeches/panels (Activity Code 127, Project Code 750). Delivery/Attendance includes the activities necessary to travel to/from and to attend the actual speech/panel (Activity Code 127, Project Code 751).

Focus Group

Relates to planning/coordination/delivery and participation in or attendance at the Tax Exempt Bond (TEB) Focus Group. The TEB Focus Group was established to provide recommendations to management on enhancements to the TEB program, to OPR on educational materials and publications and outreach programs, to facilitate quality examinations, and to ensure that examinations are conducted in a timely and efficient manner and result in consistent treatment of issues raised nationwide. The Focus Group includes agent and manager representatives from the FO groups, two OPR representatives, and representatives from Counsel and Appeals. The TEB Focus Group holds quarterly meetings and will conduct at least one visit to each Field Operations group during FY 2003. Each tax exempt bond agent will participate in one such visit; the five groups may be combined for purposes of Focus Group visits. The format for a Focus Group visit provides for:

- each agent to give a presentation on cases in process,
- a combined discussion between agents and the Focus Group on the analysis of the cases, and
- TEB Focus Group recommendations on further development or follow-up actions.

The time for agents' participation in their group visit will be three days and should be charged to Activity Code 316, Project Code 103. Additionally, members of the TEB Focus Group may meet at least once or twice a year.

II. COMMUNICATIONS/OUTREACH

OPR will centrally coordinate customer education and outreach activities to develop TEB's Website, foster stakeholder partnerships, and leverage existing resources to deliver information and services including educational publications.

Educational Products and Resources

OPR will assist TEB customers through the development and availability of educational products and resources. OPR will continue to develop and expand its Website as a one-stop resource to the municipal finance industry for technical assistance and information items. Available products will also be offered to customers through other IRS channels (e.g. IRS Distributions Centers).

The time spent on developing educational products and resources should be charged to Newsletters/Public Communication Documents/General Publications (Activity Code 132), Tax Forms/Form Letters (Activity Code 133), Websites (Activity Code 134), and News Releases and Announcements (Activity Code 137).

Indirect

OPR will continue to develop customer partnership with key stakeholder associations representing customers from all market segments of the municipal finance industry. Such partnerships will facilitate the ultimate delivery of educational products and information to individual customers as well as provide TEB with input for future CE&O initiatives.

The time spent on Indirect CE&O activities should be charged to Customer Partnership/Liaison (Activity Code 135) and Telephone (Activity Code 142).

Direct

OPR will continue to coordinate the direct delivery of educational and outreach assistance to TEB customers. Such direct outreach efforts will include participation in conferences and workshops.

The time spent on CE&O should be charged to Conferences/ Seminars/Workshops (Activity Code 126), Speeches/Panels-All Other (Activity Code 127), and Telephone (Activity Code 142).

Telephone Inquiries & Correspondence

TEB offices should plan technical time to fully support and accomplish the necessary actions to ensure customer inquiries are efficiently and accurately handled. Support will be provided to handle:

- Telephone Inquiries (Activity Code 142)
- Correspondence Inquiries (Activity Code 143, Project Code 300 when assisting CAS, including R-mail; Project Code 301 when handling general customer inquiries)
- Congressional Inquiries (Activity Code 144)
- Taxpayer Advocacy Office Inquiries/Cases (Activity Code 145)

III. PROJECTS

Voluntary Resolution Programs

OPR will work documents submitted as part of the tax-exempt bond voluntary closing agreement program (VCAP) (Notice 2001-60, 2001-40 I.R.B. 304) and other voluntary resolution program (e.g., Rev. Proc. 97-15, 1997-1 C.B. 635). OPR will continue to develop and expand its voluntary compliance programs.

IV. PROGRAM MANAGEMENT AND DEVELOPMENT

OPR is responsible for developing the TEB segments of the TE/GE Strategic Plan and the GE Program Plan and the TEB annual Workplan as well as the related budget aspects of each and

the periodic monitoring of the delivery of accomplishments and fiscal expenditures. This includes updating the IRM and providing assistance to Appeals, Chief Counsel and Treasury.

V. MONITORING OF ACCOMPLISHMENTS

Taxpayer Communication and Education objectives and measures will be monitored on a national basis for FY 2003. Time Applied to TEB Education and Outreach, Number of Outreach Events, Customers Reached (Direct), Customers Reached (Indirect), and VCAP Cases Closed will be used as Performance Measures in FY 2003. Technical Time Reporting System Table 14, TEB Technical Time Analysis (Staffdays/FTE and Plan) will be used to monitor FTE applied. Monthly extracts from the TEB Outreach Reporting System will be used to determine the number of Outreach Events and the Customers Reached. Quarterly Reports from OPR and FO, specific program/project reports, special purpose visits, as well as other means of communication, will also be used to monitor activities and accomplishments under this program.

In FY 2003, TEB will gather data and baseline the TEB Measures approved during FY 2002 by the TEGE Executive Steering Committee. Additionally, TEB will develop Examination Quality Measurement Standards (GE-TEBEQMS) based upon the data collected from examination cases closed between July 1, 2002 and June 30, 2003.

ATTACHMENT III

Compliance Services **Tax Reporting Compliance – Field Examinations**

TEB Examination Planning Guidelines

TEB will focus on identifying and correcting non-compliance by addressing nonqualified issues and abusive transactions, ensuring consistency and fairness in application of law, and resolving issues at the lowest possible level using appropriate resolution mechanisms.

TEB Field Operations is responsible for:

- Conducting examinations using standardized procedures and audit guidelines,
- Learning about the compliance level of market segments by conducting project initiatives and identifying emerging trends,
- Emphasizing IRC section 6700, where appropriate,
- Utilizing IRC section 150(b) as an alternative to taxing bondholders, where appropriate,
- Identifying best practices and recommending changes in procedures,
- Coordinating with other IRS functions,
- Implementing case selection through project initiatives, which replaces and supplements the prior primary source of examination selection (referrals),
- Expanding the case selection process through the use of RICS information,
- Assisting in the design and delivery of the basic and advanced training of field agents,
- Participating in the development and delivery of the annual CPE,
- Assisting OPR in preparing necessary revisions or additions to the TEB IRM, and
- Completing the process of data gathering during the period July 2002 – July 2003, as examination cases are closed.

TEB Outreach Planning and Review Staff is responsible for:

- Expanding and revising current operational guidelines, delegation orders, and other internal procedures, as needed,
- Coordinating the selection of cases, including referrals, for examination,
- Conducting mandatory review (technical advice requests, preliminary and proposed adverse letters, and cases being forwarded to Appeals),
- Reviewing cases selected for sample review,
- Evaluating information gathered from the GE-TEBEQMS data gathering checksheets and developing TEB quality review standards (GE-TEBEQMS),
- Developing and delivering annual CPE training of TEB technical employees,
- Improving forms and related administrative revenue procedures in coordination with other responsible functions, and
- Assisting field personnel in the identification and development of complex and emerging bond issues to facilitate resolution at the lowest level.

General

For FY 2003, additional emphasis will be placed on emerging areas of concern where the application of section 6700 penalties may be appropriate, including zero coupon cases, issuance of abusive loan pools and yield burning. Cases being developed could include the application of penalties to counsel, investment bankers, issuers and other parties to the transaction. It is unlikely that these transaction participants will accept adverse examination conclusions. Therefore, a significant increase in examination FTE applied to the preparation of section 6700 penalty cases is expected.

FY 2003 will also include a continuing emphasis on resolving existing areas of concern in a timely manner, including the resolution of existing projects on solid waste financings. Further emphasis will be applied to timely resolution of examinations.

I. EXAMINATION PROGRAM

Audit Techniques

The audit techniques for conducting examination activities are field, office, and correspondence. The managers in FO are responsible for determining which audit technique is appropriate for a case based on the potential issues involved, the scope of the examination, and the most effective way to gather required information.

Emerging Issues and Focus Areas

FO and OPR resources will be directed towards the emerging issues or focus areas as follows:

- Solid Waste Disposal Facilities (Project Code 113)
- Hospital Acquisitions and Mergers (Project Code 116)
- Use of Proceeds - 8038 Rebate (Project Code 105)
- Use of Proceeds – Government Bonds - 8038-G Rebate (Project Code 123)
- Tax Promoter Penalties (Section 6700), (Project Code 128)
- Single Family Housing (Project Code 124)
- Multi-Family Housing (Project Code 125)
- Bond Financed Sports Facilities (Project Code 112)
- Gas Prepayment Bonds (Project Code 114)
- Zero Coupon Cases (Revenue Ruling 94-42) (Project Code 115)
- Yield Burning (Project Code 117)
- Failure to Rollover Escrowed Securities to Zero Interest Rate State and Local Government Securities (Project Code 118)
- Loan Pools (Project Code 119)
- Sewage Facilities (Project Code 120)
- Tax and Revenue Anticipation Notes (Project Code 121)
- Cases involving “Captive” 501(c)(3) Organizations (Project Code 122)
- Student Loan Bonds (Project Code 130)
- Tax Increment Financings (Project Code 131)
- Hospital Financings (Project Code 132)
- Non Public School Financing (Project Code 133)
- Other financings under section 145 (Project Code 134)
- Indian Tribal Governments (Project Code 135)

These focus areas and other examination categories will be identified for technical time and inventory tracking reporting purposes through particular Activity Codes for the type of return and specific project codes.

<u>Activity Code</u>	<u>Return</u>
397	Form 8038
300	Form 8038-G
302	Form 8038-GC
309	Form 8038-T
309	Form 8038-R
322	Form 8328
394	Form 990-T

<u>Project Code</u>	<u>Description</u>
017	Non EO Forms 8038 examinations (includes Forms 8038, 8038-G, 8038-GC, 8038-T, 8038-R and 8328)
018	Non-EO Bond Compliance Activities
042	On-the-job Training Casework
050	EO Bond Compliance Activities
053	Bond Compliance Activities
056	Tax Exempt Bonds Related Returns
076	EO Forms 8038 Examinations (includes Forms 8038-T)
110	Small Issue Compliance Follow-up
111	Claims for Refund of Arbitrage Rebate
126	Identifying Bondholder Names-Case pending in Appeals
127	Identifying Bondholder Names-Case not pending in Appeals
128	IRC 6700 Issue
129	IRC 150(b) Issue
302	Form 1040
303	Form 1120

Referrals

The Manager, OPR, will control referrals. A joint selection process between the Manager, OPR and the Manager, Field Operations will be utilized in evaluating each referral to determine whether an examination is warranted. This will facilitate unbiased selection of cases for examination. The operating procedures on how to review, evaluate and preserve information items will be followed.

TEB agents with concurrence of their group manager, or the group manager independently, may expand an open examination to include related returns or issuances. Return selection for cases other than those selected through normal classification or group manager concurrence with expansion of a current examination, will follow the TEB referral procedures. In order to address areas of focus, emerging issues, or questionable transactions, an agent and/or their manager may initiate and forward a referral through the Manager, FO to OPR. The operating procedures on handling referrals will be followed in either approving or disapproving selection of a referral for examination.

Coordination with Other Agencies

FO and OPR will continue coordination with other Federal, state and local government and quasi-governmental agencies to identify and/or timely resolve compliance issues.

Claims

Expeditious handling of claims for refund of arbitrage rebate continues as a FY 2003 priority. A separate AIMS Table will be requested in FY 2003 to capture cycle time in FY 2004 for claims processing using the “source code” (30 “Claim for Refund”, 31 “Paid Claims for Refund”).

Monitoring

Examination objectives and measures will be monitored on a national basis for FY 2003. Functional objectives are identified below under the specific program, project, or emphasis area. The Technical Time Reporting System, AIMS, RICS, Quarterly Reports, monthly briefing submissions, specific program/project reports, special purpose visits, as well as other means of communication, will be used to monitor the accomplishment of FY 2003 Workplan objectives and the applicable Performance Measures.

Performance Measures for FY 2003 are as follows:

- Quality
 - ◆ Employee Satisfaction
- Quantity
 - ◆ Time Applied to TEB Education & Outreach
 - ◆ Time Applied to TEB Examination
 - ◆ TEB Examinations Closed
 - ◆ TEB Examination Timeliness (Cycle Time)

(Case timeliness is measured from the time a return is placed in AIMS Status Code 12 (“assigned – taxpayer contacted”) to Status Close 90 (closed). The number of case timeliness days is computed by converting Examination Start Date Cycle (YYMM) to the 15th day of the month for that cycle and subtracting it from the Julian date of the Status 90 disposal date. The cycle time objective will include claims and exclude cases placed in suspense (Status Codes 30, 32, 34, and 38); and cases returned to an office by Appeals. AIMS Status Code 55 will be used to identify cases previously in suspense or returned to an office by Appeals for exclusion from the case timeliness calculation. Cases taken out of suspense (Status Codes 30, 32, 34 and 38) and cases returned from Appeals must be updated to Status Code 55. A TEB AIMS Cycle Time Table will be used to monitor case timeliness accomplishments.

Within the framework of the Balanced Business Measures, Time Applied to TEB Examinations, Examination Closures, and Examination Timeliness will be used as quantity measures for the examination program in FY 2003.

GE-TEBEQMS standards for examination quality are under development.

II. RESEARCH PROGRAM

The TEB market segmentation is a systematic method to define the universe by conducting examinations of a sample of returns on a nationwide or geographic basis and reflecting results/conclusions from the samples in a profile of the applicable market segment. The objective of TEB market segmentation is to continually build information and knowledge through research samples on the compliance levels of various types of bond issuances in the exempt bond universe in order to direct compliance activities to areas of actual or suspected noncompliance.

Annually, the Director, TEB will conduct a meeting of the OPR Manager and the FO Manager to develop the subsequent fiscal year market segment project initiatives. Consideration will be given to identifying the proposed TEB samples, reviewing open samples scheduled for completion and the timetable for analyzing the results and findings, and coordinating activities necessary for starting and completing the proposed samples.

Two market segment initiatives were started in FY 2002.

- Single Family Housing
- Multi-Family Housing

Market segments may be initiated in FY 2003, if emerging financing strategies or compliance trends warrant.

COORDINATION WITH TE/GE DIRECTOR OF RESEARCH

TEB is continuing to assess the compliance risk of the various market segments to determine what other project initiatives should be initiated for FY 2003 & future years. For FY 2003, TEB will devote most of its examination resources to the completion of existing TEB project initiatives, emerging issues, if any, and to TEB's increasing activities relating to the application of IRC 6700 penalties.

ATTACHMENT IV

TEB TRAINING COURSES

The following items are descriptions of the planned FY 2003 TEB specialty training courses:

RESEARCH TRAINING

Course 4237: RICS – Phase I

This training is based on the RICS Phase I Training Guide that covers RICS functionality for basic RICS users. The primary purpose of the training is to support the classification of TE/GE returns and TE/GE non-return units. This training is ideal for new TE/GE classifiers and other new RICS users. The length of training is 5 course days (includes training and travel time). RICS Phase I training will be conducted in classification sites and will provide remedial training for existing classifiers and other RICS users.

Course 4256: RICS – Phase II

This training is based on the RICS Phase II Training Guide that covers RICS functionality for experienced RICS users. This training is for all experienced RICS users. The length of training is 5 course days (includes training and travel time). Training will be conducted at the New Carrollton Training.

Course: Tax Law Research Techniques – LEXIS.com, CCH, IRM

This training will teach participants the techniques for using electronic research material in researching tax law, court cases, revenue rulings, finance industry publications, municipal bond information, and other tax related materials. The training will be taught in a group setting or using CENTRA.

TEB TECHNICAL TRAINING

Course 4232: Basic Tax Exempt Bond Training

This training provides agents with the basic knowledge and skills necessary to conduct examinations of municipal financing arrangements. This course is three weeks in length. Training will be scheduled when hiring dictates the need for the class.

Course 4233: Advanced Tax Exempt Bond Training

This training provides agents with the advanced knowledge and skills necessary to conduct examinations of municipal financing arrangements. Topics include advanced arbitrage and rebate concepts such as hedge bonds, pool bonds and advance refundings. This course is two weeks in length. A class is planned for the 2nd Quarter

in Albuquerque, N.M. Participants should be bond agents who have attended Course 4232, Basic Tax Exempt Bond Training, and not previously attended this course

Course 4233: TEB Technical Field Conference

This training will cover current technical and operational developments in the bond area. There will be discussions of significant issues under examination and techniques used to develop the issues. Training will be conducted in Chicago, IL in the 1st Quarter. The length of training is 5 course days (including training and travel time). The targeted audience is all TEB Technical Employees.

TEB SPECIAL EMPHASIS TRAINING

Course 4259a: TEB Financial Products - Basic

This training provides agents with the knowledge of the various financial products in the secondary market. The course is 8 hours and will be delivered, in segments, as part of the TEB Technical Field Conferences over several fiscal years. The second segment of this training will be in Chicago, IL in 1st Quarter.

Course 4259b: TEB Financial Products - Advanced

This training provides agents with the knowledge of the more advanced financial products in the secondary market. The course is 8 hours and will be delivered, in segments, as part of the TEB Technical Field Conferences over several fiscal years.

Course 4283d: Tax Exempt Bonds Examination Quality Measurement System for Government Entities (GE- TEBEQMS) – Tax Exempt Bonds

This training is for all agents and will focus on the new quality standards of GE-TEBEQMS and the scoring process. The training is approximately 4 – 6 hours in length and most likely will be conducted at group meetings in FY 2004.

Course: Pool Bond Project Initiative

This training provides agents assigned pool bond cases and the manager responsible for the initiative with the knowledge of the structure and requirements of pool bonds. The course will consist of a review of assigned cases and discussion of techniques to develop the related issues. The training will be 12 – 24 hours and will be held in 1st Quarter.

REPORT GENERATION SOFTWARE (RGS) TRAINING

Course 4207a: EP/EO RGS (NT) Discrepancy Adjustments Training – Full

This training will cover the technical and procedural aspects of discrepancy adjustments as well as the RGS training on using the new windows version of RGS software to perform discrepancy adjustments. The targeted audience and date to be held will be

locally determined. The length of the training is 4 days (including training and travel time).

Course 4248: RGS Coordinators Training

This training provides the TEB Division RGS Coordinators with information concerning their responsibilities as division coordinators. One person from OPR and one from FO will attend this 32 hours course (including training and travel time).

ATTACHMENT V

TEB Form 5440

The attached Form 5440 is applicable for FY 2003.